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Message Text

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43
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-06 FRB-03

INR-07 IO-10 NEA-09 NSAE-00 OPIC-03 SP-02 TRSE-00

CIEP-01 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 OIC-02

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PASS TREAS, FRB, CEA FOR SEEVERS

E.O.11652: N/A
TAGS: ECON, OECD
SUBJECT: REQUEST FOR COMMENTS ON CHAIRMAN'S REPORT
ON WP-4 MEETING

REF: USOECD 30409

1. SUMMARY: SECRETARIAT HAS REQUESTED COMMENTS BEFORE FEBRUARY 14 ON DRAFT CHAIRMAN'S REPORT ON WP-4 MEETING DECEMBER 5-6, 1974. REPORT WAS AIRPOUCHED TO EUR/RPE (CLARK) AND HANDCARRIED TO SEEVERS ON JANUARY 30. THIS DOCUMENT WILL BE DISTRIBUTED IN FINAL FORM AS EPC DOCUMENT EARLY NEXT WEEK. ACTION REQUESTED: COMMENTS ON REPORT NO LATER THAN FEBRUARY 14. END SUMMARY.

2. MISSION BELIEVES THAT CHAIRMAN'S REPORT REFLECTS SECRETARIAT VIEWS RATHER MORE THAN VIEWS OF WP-4. IN PARTICULAR, SEEVERS MAY WISH TO EXAMINE FOLLOWING PARAGRAPHS OF CHAIRMAN'S REPORT WHICH PERHAPS DO NOT
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ENTIRELY REFLECT CONSENSUS OF WP-4 MEETING (SEE REFTEL):

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A. PARA 9: "IT WAS AGREED THAT REDUCTIONS IN INDIRECT TAXATION, AS WELL AS SUBSIDIES TO WAGE GOODS AND NOTABLY FOOD, COULD ALSO PLAY AN IMPORTANT ROLE IN MODERATING CONSUMER PRICE INCREASES AND HENCE THE RISE IN NOMINAL WAGES."

(MISSION BELIEVES THAT ONLY "SOME COUNTRIES" AGREED TO ABOVE STATEMENT.)

B. PARA 11: "AS REGARDS PRICE CONTROLS,....IT WAS FELT THAT IN CONDITIONS OF AN OVERALL SLACK IN THE ECONOMY, HIGHLY FLEXIBLE AND IMAGINATIVE PRICE SURVEILLANCE AND CONTROLS COULD MAKE A MATERIAL CONTRIBUTION TO MODERATING PRICE INCREASES AND EVEN MORE PRICE EXPECTATIONS."

(MISSION SUGGESTS INSERTION OF "IN SOME COUNTRIES" AFTER WORDS "MATERIAL CONTRIBUTION".)

C. PARA 13: "....IT WAS RECOGNIZED THAT A SERIOUS RISK REMAINS THAT INFLATION RATES MIGHT REMAIN EXCESSIVE OR EVEN INCREASE IN 1975, ESPECIALLY IF THERE IS ANOTHER BAD CROP OR A FURTHER RISE IN PETROLEUM PRICES. THIS WOULD LEAD TO THE ENTRENCHING OF INFLATIONARY EXPECTATIONS IN A PERIOD OF VERY SLACK DEMAND AND MIGHT CALL FOR MUCH MORE DRACONIAN MEASURES INCLUDING GENERALIZED PRICE AND WAGE FREEZES."

(MISSION SUGGESTS MODIFICATION LAST PORTION OF FINAL SENTENCE ABOVE AFTER WORDS "SLACK DEMAND AND" TO READ "MIGHT CALL FOR MORE STRINGENT MEASURES.")
(SEE REFTEL, PARA 6)

3. IN ADDITION TO ABOVE POINTS, SEEVERS MAY FIND OTHER EXAMPLES WHERE TONE OF CHAIRMAN'S REPORT REFLECTS UNDERLYING BIAS OF SECRETARIAT TOWARD USE OF CONTROLS AND INTERVENTION IN MARKET PROCESSES. ACTION REQUESTED: PLEASE PROVIDE COMMENTS ON DOCUMENT NO LATER THAN
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FEBRUARY 14.
KATZ

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